

M&A on the horizon

Take the steps to help prepare for—and learn the pitfalls of—mergers and acquisitions

The expectation of some kind of transaction—be it a merger, acquisition, sale, or succession—is very high among independent RIAs, according to research conducted by FA Insight. Advisors may pursue these transactions to increase revenue growth, achieve scale, find a successor, enter new markets, add talent and capabilities, or improve the client experience.¹

RIAs are looking to M&A more than ever to aid in their growth plans. In the first half of 2019, mergers and acquisitions were up for RIA firms 82%.¹

82%

Mergers and acquisitions (M&A) can be one of the greatest opportunities to grow your business. If you're planning to grow inorganically through M&A, here are some tips on how to plan ahead for the M&A process.

Be thoughtful

If you're looking to acquire or merge, consider starting with a small opportunity from which you could learn. Once you have gained experience, you may want to consider pursuing larger or more complex deals.



Expert help

If you are new to the world of M&A, you should reach out for help in navigating the process. Details are important. Consider retaining professionals who can provide their expertise in areas like valuation, deal structure, legal issues, and tax implications.



Planning and capacity

Can your organization take on a merger or acquisition without disrupting your existing clients and day-to-day business? M&A could consume significant time and effort, and has the potential to become a drain on your productivity and efficiency. It's important to be prepared with the knowledge, expertise, time, and team to make it work.



In the first half of 2019, RIA-led deals accounted for about three-quarters of all mergers or acquisitions.¹

58%

RIAs look to target smaller firms than other acquirers. 58% of deals targeted firms with between \$100M–\$500M in AUM.¹

Be specific

What do you want out of the deal—and how will you know when you find the right match? Being as specific as possible can help you find a deal that fits. Be prepared to articulate your value proposition, objectives, and selection criteria to others. Also determine how much conformity and integration you want with your current:

- Culture and brand
- Office locations
- Investment products and philosophy
- Operating model
- Technology
- Compensation plan and fee structure

Avoid surprises

You should take the time to conduct your own due diligence. Make sure to have a nondisclosure agreement (NDA) in place before you start sharing information. Some items to examine during your due diligence include:

- Financial statements
- Client demographics
- Legal or regulatory issues
- Employment contracts

Through our RIAConnect[®] program, you may be able to find another RIA firm for mergers, acquisitions, continuity, or succession.

Whether you're looking to do a transaction for a merger, acquisition, sale, or succession, following these tips can help you work toward a seamless process, allowing you to focus on the details of growing into your new firm—and into the future.

¹ FA Insight, "Mergers & Acquisitions Activity: Mid-Year Update," July 2019.

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